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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 000435

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SUBJECT: SCENESETTER FOR SECRETARY RICE'S APRIL 21-22, 2008
VISIT TO KUWAIT

Classified By: CDA Alan G. Misenheimer for reasons 1.4 (b,d)

¶1. (C/NF) Embassy Kuwait looks forward to your return for the April 21-22 Iraq Neighbors Conference. Ambassador Jones arrives April 19, and receiving you will be her first official act. In addition to your primary focus on the multilateral Iraq event, the timing is propitious for advancing bilateral engagement between Iraq and Kuwait. You will see PM Shaykh Nasser Mohammed al-Ahmed Al Sabah and FM Dr. Mohammed Sabah al-Salem Al Sabah at the Conference, and also have a separate call on Amir Shaykh Sabah al-Ahmed Al Sabah.

¶2. (C/NF) The GOK hopes to boost its regional prestige by playing the role of a generous and well-prepared host. PM Maliki's attendance will be a positive factor, even if he comes with a "blunt message" to the neighbors that they must do much more. Maliki last visited Kuwait in April 2007. The Kuwaitis believe that security gains in Iraq over past months, and also Maliki's initiative in Basrah, have boosted prospects for concrete, positive steps by the neighbors. The recent fighting in southern Iraq was unnerving for Kuwait, rekindling fears of a refugee influx. It has prompted the Kuwaitis to intensify security planning, but not to accelerate their own bilateral engagement in advance of the Conference.

Kuwait-Iraq Relations: Slow Progress, Stubborn Constraints

¶3. (C/NF) Kuwait and Iraq are slowly building a diplomatic and economic relationship. Long-interrupted diesel deliveries for Iraqi generators resumed several months ago. Kuwait has hosted a series of senior Iraqis in recent months, including President Talabani, VP Hashimi and FM Zebari and others. Long critical of PM Maliki as weak and biased, senior GOK leaders (quietly) welcomed his Basrah initiative and acknowledged to us (privately) that it substantially raised his credibility with Gulf Sunnis. Nonetheless, stubborn constraints remain on key bilateral issues.

Aid/Debt/UNCC: The GOK has pledged USD 575 million in aid for reconstruction/development, but disbursed only USD 21 million to date. The Kuwaitis say they are awaiting project/sector proposals from the Iraqi side. On debt, the GOK agreed in principle to meet the Paris Club commitment of 80% debt reduction, but has been loathe to seek needed approval from a parliament dead-set

against any easing of Iraqi debt. On compensation, the GOK opposes reducing the current five percent level until Kuwait's environmental claims are funded (likely in 2010), and resents repeated Iraqi attempts to woo the UN for a reduction to one percent.

Trade: The Amir told President Bush in January that Kuwait's borders are open to Iraqi goods, but the opposite remains true. Kuwait hosted a modest Basrah Economic Development Conference last month, but continues to refuse Iraqi imports and restricts visas for Iraqi businessmen.

Maritime Salvage: Khor Abdullah clearance stopped cold in December 2007, when Kuwait realized the process had entered Kuwaiti waters. Kuwaiti authorities, from the Navy Commander to the Amir, support the effort to find a mutually coordinated way forward, but the effort to coordinate between GOI and GOK has lagged. The Conference may provide a stage for progress.

Exchange of Ambassadors: The Kuwaitis have been allocated secure space for their embassy-in-waiting in Baghdad. Instead of security, the GOK now cites the need for GOI appointment of an ambassador here before Kuwait's ambassador-designate can go to Iraq.

Lebanon and Syria

¶4. (C/NF) The GOK maintains a relatively positive line on Lebanon, although senior figures are quietly sympathetic

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to Berri's &national dialogue8 tour of the region. Senior GOK interlocutors acknowledge that the Amir's decision to attend last month's Damascus Arab League summit did not advance the avowed aim of nudging Bashar toward responsible policies. Kuwait contributed USD 5 million to the UN Special Tribunal, but has not used its recent contacts with Damascus to press the SARG to stem the flow of foreign fighters into Iraq.

Support for the Palestinians

¶5. (C/NF) Following its ill-considered decision to skip Annapolis, the GOK pledged USD 300 million at the Paris Donor's Conference, and remains supportive of PA President Abbas and PM Fayyad. Kuwaitis are deeply concerned over miserable conditions in Gaza, but the GOK has condemned Hamas rocket attacks against Israel. Kuwaiti charities, notably the Kuwait Red Crescent Society and the Social Reform Society (affiliated with the Kuwait Muslim Brotherhood) are active in Gaza. Despite favorable noises from senior officials upon receiving our pitch for the OPIC loan guarantee program for West Bank housing, the GOK has yet to allocate any of its Paris pledge for this purpose.

Kuwait's Parliamentary Elections: Breathing Space

¶6. (C/NF) On March 19 an Amiri decree dissolving the National Assembly relieved the protracted gridlock between government and parliament. New elections are set for May 17. The current "crisis" is similar to several others during Kuwait's 47 years of independence, and will have negligible impact on domestic stability or foreign and security policies.

¶7. (C/NF) The vote may boost the number of Islamists in parliament. The February assassination of Imad Mughniyah

in Damascus elicited sympathy from a narrow slice of Kuwait's 30 percent Shia minority, and a tough GOK response has brought unprecedented sectarian friction into the electoral debate. There are 14 female candidates among the 240 registered candidates, although none appears likely to win. At least one of whom you have met, Dr. Rola Dashti, has thrown her hat into the ring. Overall, Kuwaiti voters are pessimistic and expect a resumption of the train wreck that passes for Kuwait's domestic politics once this two-month electoral breathing space ends.

¶8. (C/NF) There is speculation that the Amir may soon replace PM Shaykh Nasser Mohammad al-Ahmed Al Sabah, although the smart money is on continuity in key leadership portfolios. Whatever the course of domestic events, Kuwait will remain a solid partner, first and foremost in support of U.S. and coalition military operations in Iraq. The April 21-22 Iraq Neighbors Conference offers an opportunity to broaden that cooperation to other aspects of our Iraq reconstruction agenda.

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